

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

# **Township of Washington Macomb County, Michigan**

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**Financial Report  
with Supplemental Information  
March 31, 2007**

# Township of Washington

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## Independent Auditor's Report

To the Board of Trustees  
Township of Washington  
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Washington's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Washington as of March 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Township of Washington  
Macomb County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Washington. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note I, the Township has changed the way in which it is accounting for the activity of the building inspection department as of March 31, 2006. In adopting this change, the activity of the Building Inspection Fund went from being recorded in the General Fund, a governmental fund, to being recorded in the Building Inspection Fund, an Enterprise Fund of the Township. As a result, the beginning fund balance was restated in the governmental activities, business-type activities, the General Fund, and the Building Inspection Fund.

*Plante & Moran, PLLC*

June 22, 2007

# Township of Washington

## Management's Discussion and Analysis

### Overview of the Financial Statements

The Township of Washington's 2007 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental Activities** - Most of the Township's basic services are included here, such as police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, and three special operating millages provide most of the funding.

**Business-type Activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system and building inspection services are treated as business-type activities.

### Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of financial support and spending for particular purposes. Some funds are required by state law and bond covenants. The Township board establishes other funds to control and manage money for particular purposes.

# Township of Washington

## Management's Discussion and Analysis (Continued)

The Township has three types of funds:

**Governmental Funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary Funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

### Financial Overview

The Township has combined total net assets of \$72.2 million. This is an increase over 2006 of \$3.6 million. Business-type activities comprise \$48.6 million, and governmental activities make up \$23.6 million of total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

#### In Thousands

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Capital assets	\$ 5,334	\$ 5,465	\$ 37,409	\$ 37,522	\$ 42,743	\$ 42,987
Other assets	19,729	17,494	17,726	15,725	37,455	33,219
Total assets	25,063	22,959	55,135	53,247	80,198	76,206
Current liabilities	978	530	587	739	1,565	1,269
Long-term liabilities	507	736	5,970	5,611	6,477	6,347
Total liabilities	1,485	1,266	6,557	6,350	8,042	7,616
Net assets:						
Invested in capital assets -						
Net of related debt	5,059	5,102	32,193	32,399	37,252	37,501
Restricted	8,480	8,605	2,427	1,848	10,907	10,453
Unrestricted	10,039	7,986	13,958	12,650	23,997	20,636
Total net assets	<u>\$ 23,578</u>	<u>\$ 21,693</u>	<u>\$ 48,578</u>	<u>\$ 46,897</u>	<u>\$ 72,156</u>	<u>\$ 68,590</u>

# Township of Washington

## Management's Discussion and Analysis (Continued)

The Township experienced changes in both assets of the governmental activities and business-type activities.

The Township continues to pay debt service on water and sewer capital-related items, which is its largest liability of the business-type activities. Other changes are minimal, and balances are fairly consistent with last year.

The following table shows the changes in net assets for 2007 and 2006.

### In Thousands

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 325	\$ 1,505	\$ 4,696	\$ 4,016	\$ 5,021	\$ 5,521
Operating grants and contributions	106	213	-	-	106	213
Capital grants and contributions	13	138	1,493	4,485	1,506	4,623
General revenue:						
Property taxes	5,737	5,194	-	-	5,737	5,194
State-shared revenue	1,186	1,181	-	-	1,186	1,181
Unrestricted investment earnings	1,013	639	690	277	1,703	916
Franchise fees	184	165	-	-	184	165
Miscellaneous	26	-	-	-	26	-
Transfers and other revenue	209	164	(209)	-	-	164
Total revenue	8,799	9,199	6,670	8,778	15,469	17,977
<b>Program Expenses</b>						
General government	2,047	1,851	-	-	2,047	1,851
Public safety	4,096	4,669	-	-	4,096	4,669
Public works	163	252	-	-	163	252
Interest on long-term debt	16	22	-	-	16	22
Water and sewer	-	-	4,899	4,889	4,899	4,889
Building inspection	-	-	682	-	682	-
Total program expenses	6,322	6,794	5,581	4,889	11,903	11,683
<b>Change in Net Assets</b>	<b>\$ 2,477</b>	<b>\$ 2,405</b>	<b>\$ 1,089</b>	<b>\$ 3,889</b>	<b>\$ 3,566</b>	<b>\$ 6,294</b>



# **Township of Washington**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

Revenues for governmental activities totaled \$8.6 million in 2007. A total of \$5.7 million was in the form of property tax collections, an increase of \$543,000 over 2006. This increase is mainly a reflection of a significant increase in taxable value of \$97.2 million, as the general operating millage actually decreased from .6287 mills to .6185 mills. The police and fire and advance life support special assessment millage generated \$5 million of the total \$5.7 million of property tax revenue reported above. State-shared revenue continues to be of concern. While it provided \$1.2 million, we are uncertain what will happen in 2008, given the State's financial difficulties. Charges for services generated \$325,000.

### **Business-type Activities**

The Township has two business-type activities, the water and sewer operations and building inspection services. Revenues for business-type activities were \$6.5 million.

The water and sewer operation consists of the following: Water is provided to the Township residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with the Detroit Water and Sewer Department and Macomb County. The Township participates in the Garfield Interceptor project to ensure sewer capacity for the community.

### **Current Economic Events**

Washington Township continues to see some economic growth in the small commercial center complexes, although very little economic growth in new residential development. The Township has seen the housing market adjust with the uncertainty of the current economy and job market, but fortunately many homes were purchased throughout 2006. Due, in part, to these purchases, our taxable value has reached over 1.3 billion.

Revenue sharing, as it was in 2006, continues to be the most significant budgetary concern at this time. Our community continues to weather the cuts in state-shared revenue, in part, due to very positive, conservative actions of previous boards. Our current board exhibits the conservative behavior of previous boards, while always keeping the obligations to current and future residents as its beacon. As the community slowly grows, the Township uses its strategic future forecasts to plan and budget for future needs.

### **Financial Analysis of Township Funds and Budgets**

The General Fund ended 2007 with a fund balance of \$3.7 million, with \$901,000 designated. A couple of factors affected operating results. First, tax revenue was up due to increased taxable value. Secondly, tax collections were \$729,000 for 2007. This is an increase of \$60,000 over 2006.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent over-expenditures. With that in mind, the General Fund expenditures were 95.34 percent of budget.

# **Township of Washington**

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## **Management's Discussion and Analysis (Continued)**

Police and fire and advanced life support operations are funded separately through special assessment millages. These funds are expended exclusively for operations of police and fire services and advanced life support. All of these funds have a positive fund balance position.

### **Capital Assets and Debt**

The Township continued capital projects in 2007:

- The paving of 31 Mile Road, from Mound Road to the eastern-most driveway of the Hidden Oak Subdivision, is currently underway and scheduled to be completed late in 2007. This project is a joint effort between the Macomb County Road Commission, residents of Hidden Oak Subdivision, frontage owners along 31 Mile Road, as well as Washington Township.
- The Water and Sewer Committee continues to investigate the replacement and construction of a sewer pump station near the corner of 26 Mile and Hayes Roads. The Committee is still reviewing the proposed expansion of the sewer line extending from 26 Mile Road to 23 Mile Road, allowing for our proposed contracted capacity in 2007-2008.
- The Water and Sewer Department continues to explore the long-term needs of the community, with the consideration of the North Hayes Road sewer interceptor, extending from 26 Mile Road along Hayes Road, terminating at 31 Mile Road.
- The Township has experienced unacceptable percentage increases in water rates from the Detroit Water and Sewer Department. Washington Township Water and Sewer Department is currently investigating all viable options available to reduce the current peaking factors associated with residential water consumption.
- Washington Township continues to see growth in our village district area located between 26 and 27½ mile along Van Dyke. This district contains a unique blend of residential, commercial, and office buildings. A proposed addition to this district, a 300-seat live theatre, will be the cornerstone of the new village area, bringing many new people to our community for entertainment, as well as restaurant and retail patronage.

Debt relating to special assessment projects and compensated absences totaling \$601,695 is recorded as a liability in the governmental activities in the statement of net assets. Debt relating to the water and sewer system and compensated absences totaling \$6.3 million is recorded as a liability in the business-type activities in the statement of net assets.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition. Should you have further questions, please contact the finance and budget department at the Washington Township Municipal Building.

# Township of Washington

## Statement of Net Assets March 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents (Note 2)	\$ 16,333,930	\$ 14,023,356	\$ 30,357,286
Receivables:			
Customers	-	806,421	806,421
Special assessments	268,983	189,829	458,812
Other receivables	77,701	62,895	140,596
Due from other governmental units	1,011,629	39,008	1,050,637
Internal balances	365,667	(365,667)	-
Prepaid expenses and other assets	104,867	122,841	227,708
Investment in Romeo, Washington, Bruce Parks and Recreation Commission (Note 12)	695,960	-	695,960
Investment in Bruce and Washington Townships Senior Transportation through Advanced Reservation Commission (Note 12)	870,657	-	870,657
Restricted assets (Note 6)	-	2,846,680	2,846,680
Capital assets (Note 3):			
Capital assets not being depreciated	1,645,964	54,166	1,700,130
Capital assets being depreciated - Net	<u>3,687,578</u>	<u>37,355,022</u>	<u>41,042,600</u>
<b>Total assets</b>	<b>25,062,936</b>	<b>55,134,551</b>	<b>80,197,487</b>
<b>Liabilities</b>			
Accounts payable	58,419	186,220	244,639
Due to other governmental units	497,612	-	497,612
Accrued and other liabilities	327,606	98,448	426,054
Noncurrent liabilities (Note 5):			
Due within one year	95,000	301,459	396,459
Due in more than one year	<u>506,695</u>	<u>5,970,209</u>	<u>6,476,904</u>
<b>Total liabilities</b>	<b><u>1,485,332</u></b>	<b><u>6,556,336</u></b>	<b><u>8,041,668</u></b>
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	5,058,542	32,192,963	37,251,505
Restricted:			
Restricted for water and sewer line maintenance and construction	-	1,646,519	1,646,519
Restricted for bond ordinance	-	278,000	278,000
Building Inspection Fund	-	502,977	502,977
Fire service	4,411,195	-	4,411,195
Law enforcement	1,564,758	-	1,564,758
Advanced life support service	2,352,752	-	2,352,752
Sidewalk maintenance	136,169	-	136,169
Street lighting	15,374	-	15,374
Unrestricted	<u>10,038,814</u>	<u>13,957,756</u>	<u>23,996,570</u>
<b>Total net assets</b>	<b><u>\$ 23,577,604</u></b>	<b><u>\$ 48,578,215</u></b>	<b><u>\$ 72,155,819</u></b>

# Township of Washington

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,047,259	\$ 77,467	\$ 96,698	\$ -
Public safety	4,095,962	138,183	9,330	-
Public works	163,056	109,686	-	12,606
Interest on long-term debt	17,168	-	-	-
Total governmental activities	6,323,445	325,336	106,028	12,606
Business-type activities				
Water and sewer	4,899,091	3,965,452	-	1,492,613
Building inspection	681,949	730,241	-	-
Total business-type activities	5,581,040	4,695,693	-	1,492,613
Total primary government	<u>\$ 11,904,485</u>	<u>\$ 5,021,029</u>	<u>\$ 106,028</u>	<u>\$ 1,505,219</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Miscellaneous				
Transfers				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets</b> - Beginning of year (as restated, see Note 1)				
<b>Net Assets</b> - End of year				

**Statement of Activities**  
**Year Ended March 31, 2007**

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (1,873,094)	\$ -	\$ (1,873,094)
(3,948,449)	-	(3,948,449)
(40,764)	-	(40,764)
(17,168)	-	(17,168)
(5,879,475)	-	(5,879,475)
-	558,974	558,974
-	48,292	48,292
-	607,266	607,266
(5,879,475)	607,266	(5,272,209)
5,737,044	-	5,737,044
1,186,452	-	1,186,452
1,013,452	690,563	1,704,015
184,327	-	184,327
26,324	-	26,324
209,303	(209,303)	-
8,356,902	481,260	8,838,162
2,477,427	1,088,526	3,565,953
21,100,177	47,489,689	68,589,866
<b><u>\$ 23,577,604</u></b>	<b><u>\$ 48,578,215</u></b>	<b><u>\$ 72,155,819</u></b>

# Township of Washington

## Governmental Funds Balance Sheet March 31, 2007

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund		
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 6,850,098	\$ 4,869,999	\$ 2,779,973	\$ 1,482,526	\$ 351,334	\$ 16,333,930
Receivables:						
Special assessments	180,676	-	-	-	88,307	268,983
Other	36,389	134	41,178	-	-	77,701
Due from other funds (Note 4)	16,455	-	-	-	4,506,852	4,523,307
Due from other governmental units	468,898	178,103	131,805	82,267	57,680	918,753
Prepaid expenses	43,410	32,396	29,061	-	-	104,867
Total assets	<u>\$ 7,595,926</u>	<u>\$ 5,080,632</u>	<u>\$ 2,982,017</u>	<u>\$ 1,564,793</u>	<u>\$ 5,004,173</u>	<u>\$ 22,227,541</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 40,169	\$ 6,524	\$ 6,694	\$ 1,845	\$ 3,187	\$ 58,419
Due to other governmental units	463,433	375	-	33,804	-	497,612
Due to other funds (Note 4)	2,950,758	621,505	581,663	-	3,714	4,157,640
Accrued and other liabilities	234,378	41,033	40,908	-	-	316,319
Deferred revenue (Note 10)	180,676	-	-	-	88,307	268,983
Total liabilities	3,869,414	669,437	629,265	35,649	95,208	5,298,973
<b>Fund Balances</b>						
Reserved for:						
Law enforcement	-	-	-	1,529,144	35,614	1,564,758
Fire service	-	4,020,814	-	-	-	4,020,814
Advanced life support	-	-	2,323,691	-	-	2,323,691
Prepays	43,410	32,396	29,061	-	-	104,867
Unreserved - Reported in:						
General Fund:						
Undesignated	2,782,257	-	-	-	-	2,782,257
Designated (Note 11)	900,845	357,985	-	-	-	1,258,830
Debt Service Fund	-	-	-	-	162,738	162,738
Special Revenue Funds:						
Undesignated	-	-	-	-	639,133	639,133
Designated (Note 11)	-	-	-	-	4,071,480	4,071,480
Total fund balances	<u>3,726,512</u>	<u>4,411,195</u>	<u>2,352,752</u>	<u>1,529,144</u>	<u>4,908,965</u>	<u>16,928,568</u>
Total liabilities and fund balances	<u>\$ 7,595,926</u>	<u>\$ 5,080,632</u>	<u>\$ 2,982,017</u>	<u>\$ 1,564,793</u>	<u>\$ 5,004,173</u>	<u>\$ 22,227,541</u>
Fund balance - Total governmental funds						\$ 16,928,568
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and are not reported in the funds						5,333,542
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures						268,983
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures						92,878
Accrued interest payable on long-term debt is not recorded in the funds						(11,289)
Investments in joint ventures are not reported in the funds						1,566,617
Long-term liabilities are not due and payable in the current period and are not reported in the funds						(601,695)
Net assets of governmental activities						<u>\$ 23,577,604</u>

# Township of Washington

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2007

	Major Special Revenue Funds				Other	Total
	General Fund	Fire Fund	Advanced Life Support Fund	Police Fund	Nonmajor Governmental Funds	Governmental Funds
<b>Revenue</b>						
Property taxes	\$ 729,255	\$ 2,243,011	\$ 1,651,171	\$ 1,113,607	\$ -	\$ 5,737,044
Licenses and permits	5,500	-	-	-	-	5,500
Federal and state sources	1,267,727	5,615	3,715	-	9,858	1,286,915
Fees	406,704	-	67,418	41,334	66,804	582,260
Interest and rent	683,267	188,598	106,125	40,573	22,961	1,041,524
Special assessments	56,553	-	-	-	82,656	139,209
Other revenue	55,100	10,205	6,120	-	-	71,425
Total revenue	3,204,106	2,447,429	1,834,549	1,195,514	182,279	8,863,877
<b>Expenditures</b>						
General government	2,123,151	-	-	-	26,539	2,149,690
Public safety	118,490	1,577,778	1,520,736	789,397	26,034	4,032,435
Public works	85,366	-	-	-	28,468	113,834
Insurance	72,262	-	-	-	-	72,262
Capital outlay	-	25,868	-	-	45,499	71,367
Debt service	-	-	-	-	112,168	112,168
Total expenditures	2,399,269	1,603,646	1,520,736	789,397	238,708	6,551,756
<b>Excess of Revenue Over (Under) Expenditures</b>	804,837	843,783	313,813	406,117	(56,429)	2,312,121
<b>Other Financing Sources (Uses)</b>						
Transfers in (Note 4)	-	-	-	-	417,988	417,988
Transfers out (Note 4)	(68,685)	(70,000)	(70,000)	-	-	(208,685)
Total other financing sources (uses)	(68,685)	(70,000)	(70,000)	-	417,988	209,303
<b>Net Change in Fund Balances</b>	736,152	773,783	243,813	406,117	361,559	2,521,424
<b>Fund Balances - Beginning of year (as restated in Note 1)</b>	2,990,360	3,637,412	2,108,939	1,123,027	4,547,406	14,407,144
<b>Fund Balances - End of year</b>	<u>\$ 3,726,512</u>	<u>\$ 4,411,195</u>	<u>\$ 2,352,752</u>	<u>\$ 1,529,144</u>	<u>\$ 4,908,965</u>	<u>\$ 16,928,568</u>

# Township of Washington

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## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2007

**Net Change in Fund Balances - Total Governmental Funds** **\$ 2,521,424**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	204,173
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(335,895)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(96,325)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	5,565
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	95,000
Equity interests in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission are not reported in the governmental funds	84,261
The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	<u>(776)</u>

**Change in Net Assets of Governmental Activities** **\$ 2,477,427**



# Township of Washington

## Proprietary Funds Statement of Net Assets March 31, 2007

	Water and Sewer Fund	Building Inspection Fund
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 13,329,421	\$ 693,935
Accounts receivable:		
Customers	806,421	-
Special assessments	189,829	-
Other	62,344	551
Due from other governmental units	39,008	-
Due from other funds (Note 4)	6,427	985
Prepaid expenses and other assets	101,058	21,783
Total current assets	14,534,508	717,254
Noncurrent assets:		
Restricted assets (Note 6)	2,846,680	-
Capital assets (Note 3):		
Capital assets not being depreciated	54,166	-
Capital assets being depreciated - Net	37,340,065	14,957
Total noncurrent assets	40,240,911	14,957
Total assets	54,775,419	732,211
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	186,220	-
Accrued and other liabilities	88,720	9,728
Due to other funds (Note 4)	216,576	156,503
Current portion of long-term obligations (Note 5)	301,459	-
Total current liabilities	792,975	166,231
Noncurrent liabilities - Long-term debt - Net of current portion (Note 5)	5,922,163	48,046
Total liabilities	6,715,138	214,277
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	32,178,006	14,957
Restricted for water and sewer line maintenance and construction	1,646,519	-
Restricted for bond ordinance	278,000	-
Restricted for Building Inspection Fund	-	502,977
Unrestricted	13,957,756	-
Total net assets	<u>\$ 48,060,281</u>	<u>\$ 517,934</u>

# Township of Washington

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended March 31, 2007

	Water and Sewer Fund	Building Inspection Fund
<b>Operating Revenue</b>		
Water usage	\$ 2,021,767	\$ -
Sewage usage	1,512,586	-
Charges for services	-	728,454
Other	431,099	1,787
Total operating revenue	3,965,452	730,241
<b>Operating Expenses</b>		
Sewer and water purchases	2,392,749	-
Administration	82,981	39,725
Billing and clerical	167,329	-
Other services	89,607	55,252
Buildings and grounds	27,397	-
Inspection	451,320	350,809
Depreciation (Note 3)	997,481	1,953
Insurance	38,138	5,732
Fringe benefits	247,554	179,900
Other operating expenses	-	48,578
Total operating expenses	4,494,556	681,949
<b>Operating (Loss) Income</b>	(529,104)	48,292
<b>Nonoperating Revenue (Expense)</b>		
Tap fees	903,704	-
Interest income	780,672	25,904
Interest expense	(404,535)	-
Total nonoperating revenue	1,279,841	25,904
<b>Income - Before capital contributed from developers and customers and transfers out</b>	750,737	74,196
<b>Capital Contributed from Developers and Customers</b>	472,896	-
<b>Other Financing Uses - Transfers out (Note 4)</b>	(60,000)	(149,303)
<b>Change in Net Assets</b>	1,163,633	(75,107)
<b>Net Assets - Beginning of year (as restated, see Note 1)</b>	46,896,648	593,041
<b>Net Assets - End of year</b>	<b>\$ 48,060,281</b>	<b>\$ 517,934</b>

# Township of Washington

## Proprietary Funds Statement of Cash Flows Year Ended March 31, 2007

	Water and Sewer Fund	Building Inspection Fund
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 3,796,937	\$ 729,690
Payments to suppliers	(2,666,475)	(109,562)
Payments to employees	(802,219)	(553,272)
Other operating receipts	(12,714)	133,735
Net cash provided by operating activities	315,529	200,591
<b>Cash Flows from Capital and Related Financing Activities</b>		
Collection of customer assessments (principal and interest)	76,775	-
Purchase of capital assets	(37,973)	(10,169)
Principal paid on bond maturities	(289,868)	-
Interest paid on bonds	(404,535)	-
Lateral fees	954,102	-
Net cash provided by (used in) capital and related financing activities	298,501	(10,169)
<b>Cash Flows from Noncapital Financing Activities - Operating transfer</b>	-	(149,303)
<b>Cash Flows from Investing Activities - Interest received</b>	795,638	25,904
<b>Net Increase in Cash and Cash Equivalents</b>	1,409,668	67,023
<b>Cash and Cash Equivalents - Beginning of year</b>	14,655,963	626,912
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 16,065,631</b>	<b>\$ 693,935</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and investments (Note 2)	\$ 13,329,421	\$ 693,935
Restricted assets (Note 6)	2,736,210	-
Total cash and cash equivalents	<b>\$ 16,065,631</b>	<b>\$ 693,935</b>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>		
Operating (loss) income	\$ (529,104)	\$ 48,292
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation and amortization	997,481	1,953
Changes in assets and liabilities:		
Receivables	(168,515)	(551)
Due from other governmental units	(15,204)	-
Prepaid expenses and other assets	13,390	(21,783)
Accounts payable	8,654	-
Accrued and other liabilities	14,376	17,162
Due to other funds	(5,549)	155,518
Net cash provided by operating activities	<b>\$ 315,529</b>	<b>\$ 200,591</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended March 31, 2007, the Water and Sewer Fund received approximately \$422,000 of lines donated by developers. During the year, the Garfield Interceptor intergovernmental cost-sharing project was recorded as an asset and related long-term debt was recorded in the Water and Sewer Fund in the amount of \$408,962.

# Township of Washington

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## **Fiduciary Funds Statement of Assets and Liabilities March 31, 2007**

	<u>Agency Funds</u>
<b>Assets - Cash and investments (Note 2)</b>	<b><u>\$ 686,993</u></b>
<b>Liabilities</b>	
Due to other governmental units	\$ 1,430
Cash bonds and deposits	<u>685,563</u>
Total liabilities	<b><u>\$ 686,993</u></b>

# Township of Washington

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Township of Washington (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

#### **Reporting Entity**

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is required to be reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township. See the discussion below regarding the Township's Economic Development Corporation.

The Township Building Authority is governed by a board that is appointed by the board of trustees. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The Township Building Authority was inactive during the year and has no assets or liabilities.

The Economic Development Corporation (the "Corporation") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents. The Corporation's governing body is selected by the Township board. The Corporation was inactive during the year and has no assets or liabilities.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

# Township of Washington

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; therefore, receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

# Township of Washington

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## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Fund** - The Fire Fund accounts for the proceeds of a property tax levy that are earmarked for fire service.

**Police Fund** - The Police Fund accounts for the proceeds of a property tax levy that are earmarked for police service.

**Advanced Life Support Fund** - The Advanced Life Support Fund accounts for the proceeds of a property tax levy that are earmarked for advanced life support service.

The Township reports the following major proprietary funds:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer service to citizens that is financed primarily by a user charge for the provision of that service.

**Building Inspection Fund** - The Building Inspection Fund is used to account for the construction code activity of the Township. The Township charges fees for inspection of building construction and renovation to ensure compliance with the building codes.

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected to also follow private sector standards issued after November 30, 1989 for its business-type activities.

# **Township of Washington**

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## **Notes to Financial Statements March 31, 2007**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township of Washington's 2006 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.



# Township of Washington

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## Notes to Financial Statements March 31, 2007

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

The 2006 real and personal taxable valuation of the Township of Washington (including Romeo Village) totaled \$1.178 billion, on which taxes levied consisted of .6185 mills for operating purposes, 1.5900 mills for advanced life support services (applied against real property only and excluding Romeo Village), 1.0000 mills for police services (excluding Romeo Village), and 2.1599 mills for fire services (applied against real property only and excluding Romeo Village). This resulted in \$729,000 for operating, \$1.7 million for advanced life support services, \$1.1 million for police services, and \$2.2 million for fire services. These amounts are recognized in the respective General and Special Revenue Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Fire Fund, Liquor Law Enforcement Fund, Ambulance Fund, Water and Sewer Fund, and the Trust and Agency Fund is generally allocated to each fund using a weighted average of balances for the principal held for each fund on a monthly basis.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The unspent portion of the bonds is required to be set aside for construction. Additionally, the Water and Sewer Fund has restricted assets relating to collections to be used to pay for construction of the Garfield Interceptor and receivables and collections to be used for Hayes Road sewer line construction.

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	10-30 years
Vehicles	5-10 years
Office furnishings	5-10 years
Other tools and equipment	5-20 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Change in Accounting Method** - Beginning fund balance/net assets was restated as of April 1, 2006 as a result of transferring long-term assets, liabilities, and other building inspection activity out of the General Fund and governmental activities and into a separate Enterprise Fund. Beginning April 1, 2006, building inspection activity is accounted for on the full accrual basis as opposed to the modified accrual basis and beginning fund balance was adjusted to reflect the change, as follows.

	Governmental Activities	Business-type Activities	General Fund	Building Inspection Fund
<b>Fund Balance</b> - March 31, 2006 -				
As previously reported	\$ 21,693,218	\$ 46,896,648	\$ 3,617,273	\$ -
Adjustment for building inspection activity	<u>(593,041)</u>	<u>593,041</u>	<u>(626,913)</u>	<u>593,041</u>
<b>Fund Balance</b> - March 31, 2006 -				
As restated	<u>\$ 21,100,177</u>	<u>\$ 47,489,689</u>	<u>\$ 2,990,360</u>	<u>\$ 593,041</u>

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative Data/Reclassifications** - Comparative data is not included in the Township's financial statements.

### Note 2 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 2 - Deposits and Investments (Continued)

The Township has designated 12 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$13,652,321 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Sweep accounts	\$ 20,116,715	N/A	Unrated

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 3 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2006 (See Note 1)	Additions	Disposals and Adjustments	Balance March 31, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 1,645,964	\$ -	\$ -	\$ 1,645,964
Capital assets being depreciated:				
Buildings and building improvements	3,059,759	10,454	-	3,070,213
Vehicles	2,628,518	24,398	57,385	2,595,531
Office furnishings	260,123	51,629	137,211	174,541
Other tools and equipment	899,946	117,692	-	1,017,638
Subtotal	6,848,346	204,173	194,596	6,857,923
Accumulated depreciation:				
Buildings and improvements	1,291,438	105,512	-	1,396,950
Vehicles	1,055,908	137,212	57,385	1,135,735
Office furnishings	244,810	12,196	137,211	119,795
Other tools and equipment	436,890	80,975	-	517,865
Subtotal	3,029,046	335,895	194,596	3,170,345
Net capital assets being depreciated	3,819,300	(131,722)	-	3,687,578
Net governmental capital assets	<u>\$ 5,465,264</u>	<u>\$ (131,722)</u>	<u>\$ -</u>	<u>\$ 5,333,542</u>

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 3 - Capital Assets (Continued)

Business-type Activities	Balance April 1, 2006 (See Note 1)	Additions	Disposals and Adjustments	Balance March 31, 2007
Capital assets not being depreciated:				
Land	\$ 10,112	\$ -	\$ -	\$ 10,112
Construction in progress	29,684	14,370	-	44,054
Subtotal	39,796	14,370	-	54,166
Capital assets being depreciated:				
Water and sewer distribution systems	44,733,516	859,962	-	45,593,478
Buildings and building improvements	412,046	-	-	412,046
Vehicles	334,092	10,534	707	343,919
Office furnishings	120,056	11,990	-	132,046
Other tools and equipment	270,649	-	-	270,649
Subtotal	45,870,359	882,486	707	46,752,138
Accumulated depreciation:				
Water and sewer distribution systems	7,657,879	937,306	-	8,595,185
Buildings and building improvements	203,091	14,194	-	217,285
Vehicles	302,301	14,089	(9,829)	326,219
Office furnishings	76,773	13,864	-	90,637
Other tools and equipment	147,809	19,981	-	167,790
Subtotal	8,387,853	999,434	(9,829)	9,397,116
Net capital assets being depreciated	37,482,506	(116,948)	10,536	37,355,022
Net business-type capital assets	\$ 37,522,302	\$ (102,578)	\$ 10,536	\$ 37,409,188

Depreciation expense was charged to programs of the primary government as follows:

#### Governmental activities:

General government	\$ 102,170
Public safety	233,725
Total governmental activities	<u>\$ 335,895</u>

#### Business-type activities:

Water and sewer	\$ 997,481
Building Inspection Fund	1,953
Total business-type activities	<u>\$ 999,434</u>

At March 31, 2007 the Township has committed to the paving of 31 Mile Road. The total Township commitment to the construction project is \$456,624, of which residents have contributed \$237,000 and \$0 has been spent as of year end.

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Water and Sewer Fund	\$ 5,591
	Building Inspection Fund	7,200
	Nonmajor governmental funds	<u>3,664</u>
	Total General Fund	16,455
Nonmajor governmental funds	General Fund	2,944,381
	Fire Fund	621,505
	Advanced Life Support Fund	581,663
	Water and Sewer Fund	210,000
	Building Inspection Fund	<u>149,303</u>
	Total nonmajor governmental funds	4,506,852
Water and Sewer Fund	General Fund	6,377
	Nonmajor governmental funds	<u>50</u>
	Total Water and Sewer Fund	6,427
Building Inspection Fund	Water and Sewer Fund	<u>985</u>
Total		<u>\$ 4,530,719</u>

The balances owed from the General, Fire, and Advanced Life Support Funds to the nonmajor governmental funds represent the cumulative amount transferred from the General, Fire, and Advanced Life Support Funds to the nonmajor governmental funds over those funds' lifetimes. The General, Fire, and Advance Life Support Funds continue to hold cash and investments so that they may continue to earn interest of these funds. The other balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Fund Providing Resources</u>	<u>Fund Receiving Resources</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 68,685
Fire Fund	Nonmajor governmental funds	70,000
Advanced Life Support Fund	Nonmajor governmental funds	70,000
Water and Sewer Fund	Nonmajor governmental funds	60,000
Building Inspection Fund	Nonmajor governmental funds	<u>149,303</u>
Total		<u>\$ 417,988</u>

The transfers from the General Fund, Fire Fund, Water and Sewer Fund, and Advanced Life Support Fund to the Employee Benefits Special Revenue Fund represent the transfer of funds to meet retiree health care premiums and a portion of the Township's sick and vacation liability.

### Note 5 - Long-term Debt

The Township of Washington issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.



# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 5 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance (See Note 1)	Additions	(Reductions)	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Special assessment bonds:							
Amount of issue: \$915,000	4.95% -	\$ 90,000	\$ 370,000	\$ -	\$ (95,000)	\$ 275,000	\$ 95,000
Maturing through 2010	5.30%	95,000					
Other long-term obligations -							
Compensated absences			325,919	-	776	326,695	-
Total governmental activities			\$ 695,919	\$ -	\$ (94,224)	\$ 601,695	\$ 95,000
<b>Business-type Activities</b>							
General obligation bonds:							
Special assessment bonds -							
Washington Heights:							
Amount of issue: \$240,000	4.50%	\$ 25,000	\$ 50,000	\$ -	\$ (25,000)	\$ 25,000	\$ 25,000
Maturing through 2008							
Carriage Hills #6:							
Amount of issue: \$810,000	3.60% -		425,000	-	(85,000)	340,000	85,000
Maturing through 2012	4.30%	85,000					
County contractual obligation -							
Garfield Interceptor:							
Amount of issue: \$3,023,179		41,459	2,612,912	415,343	(34,869)	2,993,386	41,459
Maturing through 2033	7.50%	249,410					
Revenue bonds:							
Van Dyke Water:							
Amount of issue: \$750,000	5.40% -	65,000					
Maturing through 2009	5.60%	70,000	200,000	-	(65,000)	135,000	65,000
Eastview S.A.D. (B11264):							
Amount of issue: \$750,000		60,000					
Maturing through 2010	5.70%	75,000	325,000	-	(55,000)	270,000	60,000
Water Supply and Sewage Disposal System:							
Amount of issue: \$2,500,000	5.00% -	25,000					
Maturing through 2020	8.00%	300,000	2,400,000	-	(25,000)	2,375,000	25,000
Other long-term obligations -							
Compensated absences			81,446	51,836	-	133,282	-
Total business-type activities			\$ 6,094,358	\$ 467,179	\$ (289,869)	\$ 6,271,668	\$ 301,459

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 5 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 95,000	\$ 11,873	\$ 106,873	\$ 301,459	\$ 390,324	\$ 691,783
2009	90,000	7,110	97,110	284,677	373,498	658,175
2010	90,000	2,385	92,385	283,146	356,780	639,926
2011	-	-	-	311,883	338,239	650,122
2012	-	-	-	230,911	315,634	546,545
2013-2017	-	-	-	1,476,808	1,333,396	2,810,204
2018-2022	-	-	-	1,361,281	876,503	2,237,784
2023-2027	-	-	-	743,042	579,742	1,322,784
2028-2032	-	-	-	1,079,858	242,926	1,322,784
2033-2037	-	-	-	65,321	818	66,139
Total	<u>\$ 275,000</u>	<u>\$ 21,368</u>	<u>\$ 296,368</u>	<u>\$ 6,138,386</u>	<u>\$ 4,807,860</u>	<u>\$ 10,946,246</u>

### Note 6 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Business-type Activities
Cash and equivalents:	
Sewer benefit fees	\$ 1,386,834
Hayes Road construction	149,215
Bond reserve	278,000
Unspent bond proceeds	<u>922,161</u>
Total cash and equivalents	2,736,210
Court judgment receivable - \$435,285 payable over 45 years with no stated interest, recorded at present value using imputed interest rate of 8 percent, final payment due in April 2031	<u>110,470</u>
Total restricted assets	<u>\$ 2,846,680</u>

# **Township of Washington**

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## **Notes to Financial Statements March 31, 2007**

### **Note 6 - Restricted Assets (Continued)**

The sewer benefit fees of \$1,386,834 are restricted for construction of the Garfield Interceptor. The Hayes Road construction cash and equivalents of \$149,215 and the court judgment receivable of \$110,470 are restricted for maintenance on the Hayes Road sewer line. The bond reserve of \$278,000 and unspent bond proceeds of \$922,161 are restricted for the Eastview water main, the Van Dyke water main extension, and debt service on the related revenue bonds.

### **Note 7 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims and participates in the Michigan Townships Participating Plan risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan (the "Plan") operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### **Note 8 - Defined Contribution Retirement Plan**

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by Township board resolution, the Township contributes 15 percent of compensation as defined by W-2 wages for fire department employees and 15 percent of base salaries for all general employees, department heads, and water and sewer department employees. Employees may voluntarily contribute up to 10 percent. In accordance with these requirements, the Township contributed \$561,869. No employee contributions were made in the current year.

### **Note 9 - Postemployment Benefits**

The Township provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, four retirees are eligible. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with some retired employee groups contributing a portion of the cost. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits were paid by the General Fund and Water and Sewer Fund as the insurance premiums became due; during the year, this amounted to approximately \$36,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

### **Note 10 - Deferred Revenue**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, deferred revenue consisted of \$268,983 of special assessment funds that were unavailable.

# Township of Washington

## Notes to Financial Statements March 31, 2007

### Note 11 - Designated Fund Balances

Fund balances have been designated for the following purposes:

	General Fund	Fire Fund	Nonmajor Special Revenue Funds
Future expenditures	\$ 75,635	\$ -	\$ -
Roads	296,154	-	-
Land/Building purchases	529,056	-	-
Capital improvements	-	-	1,876,270
Fire truck purchase	-	357,985	-
Employee benefits	-	-	2,195,210
Total	<u>\$ 900,845</u>	<u>\$ 357,985</u>	<u>\$ 4,071,480</u>

### Note 12 - Joint Ventures

The Township is a member of the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission (S.T.A.R.). The Township appoints one member to each joint venture's governing board, which then approves the annual budget. The Romeo, Washington, Bruce Parks and Recreation Commission is funded primarily from property taxes and program fees. S.T.A.R. is funded primarily from property taxes and operating grants. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The Township's equity interest of \$695,960 and \$870,657 in the Romeo, Washington, Bruce Parks and Recreation Commission and the Washington and Bruce Townships Senior Transportation through Advanced Reservation Commission, respectively, is recorded within the governmental activities column of the statement of net assets. Complete financial statements for the joint ventures can be obtained from the administrative offices at 361 Morton, Romeo, Michigan 48061.

The Township is a member of the Tri-County Cable Communications Commission, which provides cable services to the residents of Washington Township, the Village of Romeo, and Bruce Township. The participating communities provide annual funding for its operations. During the current year, the Township contributed \$121,000 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden for the Township. Complete financial statements for the Tri-County Cable Communications Commission can be obtained at 6 Walter Sheetz Drive, Romeo, MI 48065.

## **Required Supplemental Information**

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# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2007

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenue</b>					
Property taxes:					
Current taxes	\$ 663,062	\$ 728,313	\$ 711,762	\$ 723,519	\$ 11,757
Delinquent personal property taxes	1,522	1,500	1,154	1,154	-
Mobile home park taxes	4,532	4,700	4,500	4,582	82
Total property taxes	669,116	734,513	717,416	729,255	11,839
Licenses and permits:					
Building permits	824,027	-	-	-	-
Electrical permits	118,798	-	-	-	-
Mechanical permits	149,874	-	-	-	-
Plumbing permits	122,220	-	-	-	-
Miscellaneous licenses and permits	-	-	5,500	5,500	-
Total licenses and permits	1,214,919	-	5,500	5,500	-
Federal sources	4,111	-	96,488	96,698	210
State-shared revenue	1,177,220	1,069,711	1,080,165	1,171,029	90,864
Fees:					
Bookkeeping	146,493	220,195	193,757	193,757	-
Variance	11,680	13,000	8,400	9,400	1,000
Cable television	164,773	184,327	184,327	184,327	-
Cemetery	6,500	7,500	7,200	6,950	(250)
Bonds forfeited	-	-	-	-	-
Court fines	6,733	5,000	6,500	12,270	5,770
Total fees	336,179	430,022	400,184	406,704	6,520
Interest and rent	446,566	258,166	578,735	683,267	104,532
Special assessments	98,950	45,800	53,629	56,553	2,924
Other revenue:					
Refunds and rebates	798	100	6,762	7,431	669
Other revenue	101,037	38,580	33,839	47,669	13,830
Total other revenue	101,835	38,680	40,601	55,100	14,499
Other financing sources - Transfers and contingencies	44,255	-	-	-	-
Total revenue	4,093,151	2,576,892	2,972,718	3,204,106	231,388

# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2007

	Prior Year Actual	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Expenditures</b>					
General government:					
Township board	\$ 42,278	\$ 50,620	\$ 45,130	\$ 43,069	\$ 2,061
Supervisor	106,066	115,590	114,422	111,510	2,912
Elections	164,975	255,268	271,443	267,662	3,781
Assessor	234,765	252,673	256,442	245,971	10,471
Clerk	65,839	68,161	69,554	68,149	1,405
Accounting	212,826	237,756	228,389	225,169	3,220
Cemetery	28,410	52,250	35,996	24,854	11,142
Administrative	199,237	230,200	242,500	225,883	16,617
Treasurer	209,686	224,969	223,913	217,370	6,543
Board of Review	15,696	9,475	30,475	26,076	4,399
Township Hall	194,982	260,347	234,077	170,323	63,754
Total general government	1,474,760	1,757,309	1,752,341	1,626,036	126,305
Public safety:					
Electrical inspection department	60,536	-	-	-	-
Plumbing and heating department	42,993	-	-	-	-
Mechanical inspection department	61,402	-	-	-	-
Building department	380,551	-	-	-	-
Planning	106,179	130,801	125,833	118,490	7,343
Total public safety	651,661	130,801	125,833	118,490	7,343
Public works:					
Highways and streets	125,785	30,000	71,000	62,625	8,375
Street lighting	22,801	24,700	27,500	22,741	4,759
Total public works	148,586	54,700	98,500	85,366	13,134
Fringe benefits and insurance	685,890	570,755	573,797	569,377	4,420
Other financing uses - Transfer to Employee Benefits Fund	119,773	63,327	695,598	695,598	-
Total expenditures	3,080,670	2,576,892	3,246,069	3,094,867	151,202
<b>Net Change in Fund Balance</b>	1,012,481	-	(273,351)	109,239	382,590
<b>Fund Balance - Beginning of year</b>	2,604,792	2,990,360	3,617,273	3,617,273	-
<b>Fund Balance - End of year</b>	<u>\$ 3,617,273</u>	<u>\$ 2,990,360</u>	<u>\$ 3,343,922</u>	<u>\$ 3,726,512</u>	<u>\$ 382,590</u>



# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended March 31, 2007

	Fire Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
<b>Revenue</b>				
Property taxes	\$ 2,078,451	\$ 2,243,004	\$ 2,243,011	\$ 7
Federal and state sources	-	5,615	5,615	-
Interest and rent	44,609	186,324	188,598	2,274
Other	-	7,107	10,205	3,098
Total revenue	2,123,060	2,442,050	2,447,429	5,379
<b>Expenditures</b>				
Public safety	1,887,310	1,686,446	1,577,778	108,668
Capital outlay	165,750	27,826	25,868	1,958
Transfers and contingencies	70,000	70,000	70,000	-
Total expenditures	2,123,060	1,784,272	1,673,646	110,626
<b>Net Change in Fund Balance</b>	-	657,778	773,783	116,005
<b>Fund Balance - Beginning of year</b>	3,637,412	3,637,412	3,637,412	-
<b>Fund Balance - End of year</b>	<u>\$ 3,637,412</u>	<u>\$ 4,295,190</u>	<u>\$ 4,411,195</u>	<u>\$ 116,005</u>

# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2007

	Police Fund			
	Original Budget	Amended Budget	Actual	Amended Budget Favorable
<b>Revenue</b>				
Property taxes	\$ -	\$ 1,114,416	\$ 1,113,607	\$ (809)
District Court fines	58,000	58,000	41,334	(16,666)
Interest	-	-	40,573	40,573
Total revenue	58,000	1,172,416	1,195,514	23,098
<b>Expenditures - Public safety</b>	617,715	838,179	789,397	48,782
<b>Net Change in Fund Balance</b>	(559,715)	334,237	406,117	71,880
<b>Fund Balance - Beginning of year</b>	1,123,027	1,123,027	1,123,027	-
<b>Fund Balance - End of year</b>	<u>\$ 563,312</u>	<u>\$ 1,457,264</u>	<u>\$ 1,529,144</u>	<u>\$ 71,880</u>

# Township of Washington

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds (Continued) Year Ended March 31, 2007

### Advanced Life Support Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenue</b>				
Property taxes	\$ 1,572,243	\$ 1,651,170	\$ 1,651,171	\$ 1
Federal sources	-	3,715	3,715	-
Charges for services	66,453	60,000	67,418	7,418
Interest	25,943	105,504	106,125	621
Refunds and rebates	-	789	3,765	2,976
Other	-	2,350	2,355	5
Total revenue	1,664,639	1,823,528	1,834,549	11,021
<b>Expenditures</b>				
Public safety	1,594,639	1,612,536	1,520,736	91,800
Transfers and contingencies	70,000	70,000	70,000	-
Total expenditures	1,664,639	1,682,536	1,590,736	91,800
<b>Net Change in Fund Balance</b>	-	140,992	243,813	102,821
<b>Fund Balance - Beginning of year</b>	2,108,939	2,108,939	2,108,939	-
<b>Fund Balance - End of year</b>	<u>\$ 2,108,939</u>	<u>\$ 2,249,931</u>	<u>\$ 2,352,752</u>	<u>\$ 102,821</u>

# Township of Washington

## Notes to Required Supplemental Information March 31, 2007

### Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	Major Special Revenue Funds					
	General Fund		Fire Fund		Advanced Life Support Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 3,204,106	\$ 2,399,269	\$ 2,447,429	\$ 1,603,646	\$ 1,834,549	\$ 1,520,736
Prior period adjustment recorded as such on GAAP statements but budgeted for as an operating transfer	-	626,913	-	-	-	-
Operating transfers budgeted as revenue and expenditures	-	68,685	-	70,000	-	70,000
Amounts per budget statement	<u>\$ 3,204,106</u>	<u>\$ 3,094,867</u>	<u>\$ 2,447,429</u>	<u>\$ 1,673,646</u>	<u>\$ 1,834,549</u>	<u>\$ 1,590,736</u>

### Note 2 - Budgetary Information

**Budgetary Information** - The annual budget is prepared by management and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at March 31, 2006 has not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." The budget statements (budgetary comparison schedules - General Fund and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budgets.

# **Township of Washington**

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## **Notes to Required Supplemental Information March 31, 2007**

### **Note 2 - Budgetary Information (Continued)**

The budgets have been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township board is included in the required supplemental information. A comparison of the actual results of operations to the nonmajor Special Revenue Funds and nonmajor Debt Service Funds budgets as adopted by the Township board is available at the clerk's office for inspection.

**Comparative Data** - Comparative data for the prior year has been presented for the General Fund budgetary comparison schedule for purposes of additional analysis.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Township did not have significant expenditure budget variances.

## **Other Supplemental Information**

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# Township of Washington

	Special Revenue				
	Liquor Enforcement Fund	Improvement Revolving Fund	Budget Stabilization Fund	Sidewalk Fund	Cable Franchise Fee Reserve Fund
<b>Assets</b>					
Cash and cash equivalents	\$ 35,878	\$ -	\$ -	\$ 136,219	\$ -
Special assessments receivables	-	-	-	-	-
Due from other funds	-	1,876,270	252,000	-	183,372
Due from other governmental units	-	-	-	-	52,218
Total assets	<u>\$ 35,878</u>	<u>\$ 1,876,270</u>	<u>\$ 252,000</u>	<u>\$ 136,219</u>	<u>\$ 235,590</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	264	-	-	50	-
Deferred revenue	-	-	-	-	-
Total liabilities	264	-	-	50	-
<b>Fund Balances</b>					
Reserved - Law enforcement	35,614	-	-	-	-
Unreserved:					
Designated	-	1,876,270	-	-	-
Undesignated	-	-	252,000	136,169	235,590
Total fund balances	<u>35,614</u>	<u>1,876,270</u>	<u>252,000</u>	<u>136,169</u>	<u>235,590</u>
Total liabilities and fund balances	<u>\$ 35,878</u>	<u>\$ 1,876,270</u>	<u>\$ 252,000</u>	<u>\$ 136,219</u>	<u>\$ 235,590</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
March 31, 2007**

Funds			Total
Street Light Assessment Fund	Employee Benefits Fund	Debt Service Fund	Nonmajor Governmental Funds
\$ 17,296	\$ -	\$ 161,941	\$ 351,334
-	-	88,307	88,307
-	2,195,210	-	4,506,852
4,665	-	797	57,680
<u>\$ 21,961</u>	<u>\$ 2,195,210</u>	<u>\$ 251,045</u>	<u>\$ 5,004,173</u>
\$ 3,187	\$ -	\$ -	\$ 3,187
3,400	-	-	3,714
-	-	88,307	88,307
6,587	-	88,307	95,208
-	-	-	35,614
-	2,195,210	-	4,071,480
15,374	-	162,738	801,871
15,374	2,195,210	162,738	4,908,965
<u>\$ 21,961</u>	<u>\$ 2,195,210</u>	<u>\$ 251,045</u>	<u>\$ 5,004,173</u>



# Township of Washington

	Special Revenue				
	Liquor Enforcement Fund	Improvement Revolving Fund	Budget Stabilization Fund	Sidewalk Fund	Cable Franchise Fee Reserve Fund
<b>Revenue</b>					
State-shared revenue	\$ 9,858	\$ -	\$ -	\$ -	\$ -
Fees	-	-	-	14,586	52,218
Interest	-	-	-	6,523	-
Special assessments	-	-	-	-	-
Total revenue	9,858	-	-	21,109	52,218
<b>Expenditures</b>					
General government	-	-	-	-	26,539
Public safety	9,498	-	-	8,143	-
Public works	-	28,468	-	-	-
Capital outlay	-	4,420	-	-	-
Debt service	-	-	-	-	-
Total expenditures	9,498	32,888	-	8,143	26,539
<b>Excess of Revenue Over (Under)</b>					
Expenditures	360	(32,888)	-	12,966	25,679
<b>Other Financing Sources - Transfers in</b>	-	-	-	-	63,327
<b>Net Change in Fund Balances</b>	360	(32,888)	-	12,966	89,006
<b>Fund Balances - Beginning of year</b>	35,254	1,909,158	252,000	123,203	146,584
<b>Fund Balances - End of year</b>	<u>\$ 35,614</u>	<u>\$ 1,876,270</u>	<u>\$ 252,000</u>	<u>\$ 136,169</u>	<u>\$ 235,590</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended March 31, 2007**

Funds			
Street Light Assessment Fund	Employee Benefits Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 9,858
-	-	-	66,804
27	-	16,411	22,961
<u>42,882</u>	<u>-</u>	<u>39,774</u>	<u>82,656</u>
42,909	-	56,185	182,279
-	-	-	26,539
-	8,393	-	26,034
-	-	-	28,468
41,079	-	-	45,499
<u>-</u>	<u>-</u>	<u>112,168</u>	<u>112,168</u>
<u>41,079</u>	<u>8,393</u>	<u>112,168</u>	<u>238,708</u>
1,830	(8,393)	(55,983)	(56,429)
<u>-</u>	<u>354,661</u>	<u>-</u>	<u>417,988</u>
1,830	346,268	(55,983)	361,559
<u>13,544</u>	<u>1,848,942</u>	<u>218,721</u>	<u>4,547,406</u>
<u>\$ 15,374</u>	<u>\$ 2,195,210</u>	<u>\$ 162,738</u>	<u>\$ 4,908,965</u>

# Township of Washington

## Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds March 31, 2007

	Agency Funds		
		Trust and	
	Tax Collections	Agency	Totals
<b>Assets - Cash and investments</b>	<b><u>\$ 1,430</u></b>	<b><u>\$ 685,563</u></b>	<b><u>\$ 686,993</u></b>
<b>Liabilities</b>			
Due to other governmental units	\$ 1,430	\$ -	\$ 1,430
Cash bonds and deposits	<u>-</u>	<u>685,563</u>	<u>685,563</u>
Total liabilities	<b><u>\$ 1,430</u></b>	<b><u>\$ 685,563</u></b>	<b><u>\$ 686,993</u></b>



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June 22, 2007

To the Board of Trustees  
Township of Washington  
57900 Van Dyke  
Washington, MI 48094-4067

Dear Board Members:

We have recently completed the audit of the basic financial statements of the Township of Washington for the year ended March 31, 2007. In addition to our audit report, we offer the following comments and recommendations for your consideration:

### **Fixed Asset Conversion**

During the current year, the Township converted its method of tracking fixed assets from Excel spreadsheets to Fund Balance software. This conversion required the addition of detail for approximately 300 fixed assets to Fund Balance. The conversion of fixed asset tracking to Fund Balance software will ease the tracking of assets and the depreciation of assets. We commend the finance department for undertaking this conversion.

### **Auditing Standards Continue to Change**

Major and comprehensive changes were made to auditing rules in 2006. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules for governmental units into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

Some of these new standards became effective for audits of financial statements dated December 31, 2006 and after. As a result, auditors are required to comply with very specific rules related to the form, content, and extent of audit documentation, including more thorough documentation of auditing procedures and results. Other new guidelines affect the audit evidence that must be obtained before an auditor can consider an audit complete.

Another new rule requires auditors to more formally communicate matters they observe about their clients' accounting procedures and internal controls. Auditors are now required to inform clients about any "significant deficiencies" in accounting procedures or internal controls that come to their attention. Significant deficiency is a defined term that includes any flaw creating more than a remote risk of errors in financial statements that could reasonably matter to a user of the statements. Auditors must now communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for operations, in addition to management.

June 22, 2007

The remainder of the new rules will become effective for audits of financial statements dated December 31, 2007 and later. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules also will require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran, PLLC began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Over the next several months, our firm will be investing heavily to implement our new audit methodology and train our staff on these changes. Our goal is to have our staff trained and working with our clients to prepare for the transition to these new rules well in advance of the required implementation date.

As we move forward, we will be communicating with you regularly about matters that will affect your next financial statement audit. In addition, we plan to begin to work with you during the upcoming year in a number of areas, including review and documentation of your internal accounting procedures and controls, to ensure a smooth transition to these new standards. We will be in contact with you in the near future to discuss these matters in more detail.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about your internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications you will receive from us about the results of our audit work, will enhance the value you receive from your financial statement audit.

## **Retiree Health Care Benefits**

As you are aware, the Governmental Accounting Standards Board (GASB) has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, which will be effective for the Township's 2009 fiscal year. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid.

As the implementation date is drawing near, an actuarial study will need to be updated to meet the requirements of GASB 45 that the study be performed no earlier than two years prior to the beginning of the year of implementation (no earlier than April 1, 2006 for the Township). An updated actuarial report will also assist the Township in budgeting for future payments and determining to what extent the annual required contributions determined by the actuary will be made.

## **Revenue Sharing**

The future of the State's revenue-sharing program may be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The magnitude of the State's deficit has become even more pronounced after the State's January 2007 revenue-estimating conference. According to economists, Michigan's budget is \$3 billion short of the revenue needed to cover basic services this year and next (State fiscal years 2006/2007 and 2007/2008). The outcome of other matters will also impact revenue sharing and those matters include:

- ***Future of County Participation in Statutory Revenue Sharing*** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million), but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- ***Statutory Revenue-sharing Formula Expires in 2007*** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.

- ***Changing Michigan Business Tax Structure*** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. The governor's fiscal year 2007/2008 budget recommends replacing a majority of the repealed single business tax revenue with a new Michigan business tax and the enactment of a new excise tax on service providers. The new Michigan business tax (MBT) is projected to generate approximately \$480 million less annually in revenue than currently generated by the single business tax, but the new 2 percent excise tax on most services is projected (if effective on June 1, 2007) to raise about \$576 million in the remainder of the fiscal 2006/2007 to help with State's budget deficit for that year and to raise \$1.47 billion in the State's fiscal year 2007/2008. The governor's budget also includes several other tax increases and changes. Much debate will occur prior to the enactment of a final tax structure plan.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not been announced yet, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments.

While the debate has begun, there still remain considerably more questions than answers regarding long-term funding of statutory revenue sharing. Additionally, there are several practical short-term concerns including:

- If revenue-sharing cuts are enacted for the State's fiscal year 2006/2007, then these unplanned revenue-sharing payment reductions could impact the Township's year ending March 31, 2008. However, the amounts may not be known until spring or summer and local governments will have little or no time to react.
- Final decisions on revenue-sharing funding levels for the State's fiscal year 2007/2008 will likely not be complete in time for local governments working on 2008 budgets.

With the appropriation reductions to revenue sharing since 2001 (including approximately \$558 million in fiscal year 2006/2007 over amounts calculated by the statutory formula), a number of townships are no longer receiving any statutory revenue sharing. To accomplish the appropriation reductions mandated in the State's budget, the State is required to reduce the statutory portion of a local unit's revenue sharing (remember that the constitutional portion cannot be adjusted). As a result, many townships no longer have any statutory revenue sharing remaining. For those communities, because sales tax collections have increased since 2001, their revenue sharing is actually increasing because they are now only receiving constitutional revenue sharing.

The Township's statutory portion of revenue sharing is approximately \$11,000. This is the amount of revenue sharing that could be taken away with the above proposed changes. This amount is not significant to the Township. However, we will continue to update the Township on the changing environment related to state-shared revenue.

## Property Taxes

Over the last six years, the State's personal property tax laws and regulations have changed substantially. In 2000, the State Tax Commission updated the general business depreciation tables that are used to calculate personal property taxes, resulting in an approximate 10 percent drop in property tax revenue. In addition, the State Tax Commission also approved new personal property tax tables for utilities which made drastic changes to transmission and distribution property of utilities (resulting in approximately 30 percent revenue loss to local units of government). Also, the Michigan Supreme Court in *WPW Acquisition Co v. City of Troy* ruled that the Proposal A cap prevents assessors from increasing the taxable value of commercial rental property above the rate of inflation using the occupancy methodology even when reductions in taxable value were previously granted due to a decrease in occupancy.

Further reductions to personal property tax remain part of the State's tax structure discussions. Personal property taxes are a significant revenue source to many local governments. For the Township, personal property tax represents 7.0 percent of its tax base. If the State's new business tax structure provides personal property tax relief, the question is will local governments be held harmless by the State and to what extent? The governor's tax plan, as introduced, proposes to change the property tax system to mitigate the impact of the *WPW* case. A similar attempt to make this correction occurred in 2005 and 2006 with no success.

For a developing community, the Township of Washington has experienced increases in its taxable value, as follows:

Tax year 2004	\$ 958,118,125	
Tax year 2005	1,059,673,750	10.6% increase
Tax year 2006	1,175,585,327	10.9% increase

When discussing property taxes, it should also be noted that in the years when the Township's taxable value increased by more than inflation, the Headlee Amendment required the Township to roll-back or reduce its millage rate so that the total taxes collected were not greater than inflation. The Township's charter maximum for operating mills is 1.0. However, due to the Headlee Amendment, the maximum the Township can levy is now .6687 mills. If the Township could levy the full 1.0 mill on the 2006 taxable value of \$1,175,585,327, the annual property taxes would be approximately \$390,000 higher.



## **Property Tax Legislation**

A series of House bills have been introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation, or 5 percent, until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred to as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- House Bill 4440 establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- House Bill 4441 increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local governments for potential loss in revenue occurring from House Bill 4440.
- House Bill 4442 would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate finance committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

## **New Cable Franchise Legislation**

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the Uniform Video Services Local Franchise Act, which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the Act's franchise fee.
- Audits of the video service providers' calculation of gross revenue is limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

## **Municipal Finance Act Revisions - Reminder**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end, March 31, 2007, and is good for one year thereafter.

To the Board of Trustees  
Township of Washington

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June 22, 2007

We would like to thank the Township board for the opportunity to serve as auditors for the Township. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit. If you would like to discuss any of these matters, or would like assistance in their implementation, please contact us.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Mark R. Hurst". The signature is written in a cursive style with a long horizontal flourish at the end.

Mark R. Hurst

A handwritten signature in black ink that reads "Pamela L. Hill". The signature is written in a cursive style with a long horizontal flourish at the end.

Pamela L. Hill